

# INTRODUCTION

The Administration is pursuing a three-pronged approach to address issues related to the Department of the Interior's (DOI's) administration and management of Indian Trust funds.

First, the DOI has proposed legislation to end the increasing fractionation of ownership of Indian allottee lands. This fractionation of interests not only undermines the economic vitality of allottee-owned land, but it also severely complicates the government's management of trust assets and resources.

Second, the Administration has proposed a legislative approach for utilizing informal dispute resolution mechanisms to address claims that Tribes may have with regard to the Department's past management of Tribal trust accounts. This legislation is the culmination of the five year, \$21 million effort to reconcile Tribal trust accounts as mandated by Congressional directives beginning in 1987, and reconfirmed in the American Indian Trust Fund Management Reform Act of 1994 (the "Act").

Third, this report outlines the DOI's *High Level Implementation Plan* (the "Plan"), for improving the underlying trust management and accounting systems. The improvements outlined in this Plan represent the Department's first comprehensive, coordinated, inter-Bureau effort to correct the many well-documented problems associated with the Department's management of Indian Trust funds.

Currently, the Secretary of the Interior, through the OST, maintains approximately 1,700 accounts for 338 Tribal entities with assets in excess of \$2.5 billion. Each year, more than \$800 million passes through the Tribal trust funds system. The OST also maintains over 340,000 IIM trust fund accounts through which over \$300 million pass each year.

**Indian Trust Funds Overview.** Concerns about the management of Indian Trust funds is a longstanding issue. As early as 1928 the GAO—the investigative research arm of Congress—issued reports documenting weak accounting practices and other problems in BIA's trust fund management.

Prior to 1951, accounting activities were undertaken at each BIA Agency Office (typically located on Indian reservations), using handwritten ledgers and journals. In 1951, an accounting system designed and approved by GAO was installed in BIA Area (regional) Offices. All fund types--IIM as well as Tribal--were integrated in this system. GAO released reports in 1952 and 1955 describing management concerns with the systems. Beginning in 1965, BIA began centralizing its accounting functions on a mainframe computer in Albuquerque, New Mexico. The conversion to the computer system was completed in 1967, although a duplicate set of Tribal fund "control accounts" was maintained in Albuquerque. A new automated accounting system was developed and implemented in 1968 and modified in 1974.

On July 1, 1972, all Tribal Treasury appropriation accounts were consolidated into a single Treasury account (about 1,100 accounts were combined). Prior to this date, Treasury maintained separate accounts for each Tribal trust fund, typically with separate accounts for principal and interest. These dual sets of accounts would generally make it easier to detect differences; for example, if Treasury received a cash receipt that was not posted by BIA it would be easy to isolate the difference—a variance would show up between the specific account on BIA's books and the specific account on Treasury's books. Such differences were not as easy to identify when the accounts were collapsed into one account. Nevertheless, consolidation occurred to alleviate the administrative burden of Treasury maintaining a dual system of Tribal trust accounts.

Additionally, in FY 1973, Treasury discontinued posting semi-annual interest income to trust fund account balances. From 1928 to 1972, Treasury had computed and distributed interest on a semi-annual basis for funds residing in Treasury accounts. BIA Offices deposited and posted interest earned from investment activity outside of Treasury. Beginning July 1, 1972, BIA was responsible for computing and distributing the Treasury interest on uninvested funds.

In 1982, GAO once again issued reports critical of the management systems. The Environment, Energy and Natural Resource Subcommittee of the House Committee on Government Operations encouraged a three-year investigation into the issue, leading to a report issued on April 22, 1992, entitled, *"Misplaced Trust: The Bureau of Indian Affairs' Mismanagement of the Indian Trust Fund."* Congressional appropriators were concerned as well. In 1987, after a series of oversight reports by the GAO, a supplemental appropriations bill directed that trust fund accounts be reconciled and audited. Congress also prevented the outsourcing of trust fund services to a commercial bank until the funds had been audited and reconciled. In 1988, 1989, and 1990, Congress again directed the BIA to take steps to reconcile Indian trust fund accounts back to the earliest possible date. The FY 1990 appropriations language further required that "the results of such reconciliation [be] certified by an independent party as the most complete reconciliation of such funds as possible."

**American Indian Trust Fund Management Reform Act of 1994.** In 1994, Congress passed the American Indian Trust Fund Management Reform Act of 1994, 25 United States Code (U.S.C.) §§4001-4061, which established the OST. Under this legislation, the Special Trustee, who reports to the Secretary of the Interior, is responsible for oversight, reform, and coordination of the policies, procedures, systems and practices used by various Departmental agencies in managing Indian trust assets. Specifically, the Special Trustee was charged with preparing and submitting a comprehensive strategic plan for all phases of the trust management business cycle that would ensure the proper and efficient discharge of the Secretary's trust responsibilities to Indian Tribes and individual Indians in compliance with the Act. The Act also defined the following as positive actions required of the Secretary necessary to properly discharge the trust responsibilities of the United States:

- Providing adequate systems for accounting for and reporting trust fund balances;

- Providing adequate controls over receipts and disbursements;
- Providing periodic, timely reconciliations to assure the accuracy of accounts;
- Determining accurate cash balances;
- Preparing and supplying account holders with periodic statements of their account performance and with balances of their account which shall be available on a daily basis;
- Establishing consistent, written policies and procedures for trust fund management and accounting;
- Providing adequate staffing, supervision, and training for trust fund management and accounting;
- Appropriately managing the natural resources located within the boundaries of Indian reservations and trust lands;
- Properly accounting for and investing, as well as maximizing, in a manner consistent with the statutory restrictions imposed on the Secretary's investment options, the return on the investment of all trust fund monies;
- Preparing accurate and timely reports to account holders (and others, as required) on a periodic basis regarding all collections, disbursements, investments, and return on investments related to their trust accounts;
- Maintaining complete, accurate and timely data regarding the ownership and lease of Indian lands.

In April 1997 the Special Trustee submitted his *Strategic Plan to Implement the Reforms Required by the American Indian Trust Fund Management Reform Act of 1994*.

Notwithstanding the Secretary's reservations about certain aspects of the *Plan*, the Secretary agreed that the trust system improvements and data clean up efforts in the *Plan* could and should proceed as soon as possible within the organizational structure of the Department.

The Secretary's decisions on system improvements and data clean up were organized into separate, but complementing Sub projects, which comprise the TMIP.

The approach selected to implement the Secretary and Special Trustee's agreements on portions of the Special Trustee's Strategic Plan are centered on 13 major Sub projects. These Sub projects were identified and designed to ensure coverage of not only the data clean up and systems improvements directed by the Secretary, but also to address the longstanding deficiencies cited by external oversight groups with regard to the support systems--records management, training, policy and procedures, and internal controls.

Accordingly, the 13 Sub projects which comprise the TMIP are:

**OST Trust Financial Records Clean Up.** In this Sub project, OST will standardize and verify IIM system data for trust financial records, and correct and establish an inventory of hard copy records for each trust fund account.

**BIA Trust Resource Records Clean Up.** BIA trust resource records will be cleaned up to ensure timely ownership and land status data. Processing backlogs will be worked off

to update existing and future trust resource management systems data essential to ensure income distribution and resource management functions can operate from timely data.

**BIA Probate Backlog.** Under this Sub project, BIA will inventory, identify and develop action plans and procedures to eliminate probate backlog.

**Office of Hearing and Appeals (OHA) Probate Backlog.** Under this Sub project, OHA will inventory, identify and develop action plans and procedures to eliminate OHA probate backlog.

**BIA Appraisal Program.** This Sub project includes an assessment of the present BIA appraisal program, policies and procedures, reviews of staff qualifications, determination of the adherence to uniform Standards of Professional Appraisal Practices, and development of corrective action plans, as appropriate.

**Trust Funds Accounting System.** This Sub project will acquire, install and pilot, using a service bureau approach, a proven commercial off-the-shelf trust accounting system to replace the present BIA IIM accounting module.

**Trust Asset and Accounting Management System.** The Department will evaluate, acquire, and pilot, standardized, proven commercial off-the-shelf general trust management system technology (Master Lease, Billings and Accounts Receivable, and Collection subsystems) to the extent practicable. Following successful testing and piloting, the TAAMS system will proceed to full implementation across BIA, replacing the present BIA Integrated Records Management System (IRMS).

**BIA Land Records Information System (LRIS) Enhancements.** This Sub project contemplates the modernization of BIA's official title system to provide on-line and up-to-date legal and beneficial title ownership and encumbrance information for all Indian lands and resources, including automated calculation of, and data storage of, fractional interests and automated chain-of-title processes and information.

**MMS System Reengineering.** The purpose of this Sub project is to design, develop and implement new core business processes for the MMS's Royalty Management functions, with supporting systems, for the 21<sup>st</sup> Century.

**Records Management.** Under this Sub project, a joint Records Management solution for Interior trust records will be developed and implemented, involving OST, BIA, MMS, BLM, OHA and other relevant DOI Offices. The scope includes Indian trust records management, storage, access, control and disposition, and contemplates electronic record keeping, including imaging technology.

**Policy and Procedures.** DOI trust policies and procedures will be inventoried, reviewed and, where appropriate, revised or established. This Sub project

specifically involves and includes representatives of OST, BIA, MMS, BLM, OHA and other Departmental Offices involved in Indian trust management.

**Training.** The Training Sub project will plan and deliver both trust management and employee skills training relevant to delivery of Interior's trust fiduciary responsibilities to American Indians. Training will be provided across the Interior trust workforce and include Tribes and participating contractors.

**Internal Controls.** The Sub project will systematically address documented internal control deficiencies in Indian trust management, item by item, that have been identified through internal and external audit, Congressional oversight and outside reviews. Corrective actions will be validated and/or designed to assure resolution of all internal control weakness.

An important aspect of the Secretary's decision on Trust Management Improvement was that the effort should occur within a three year period, beginning in FY 1998.

A number of issues and recommendations in the Special Trustee's Strategic Plan were deferred, including:

- New management and organization structures outside of the DOI;
- Introducing new trust products or services based on the prudent investor rule;
- An Indian development bank.

In other areas, the Secretary decided that the Office of Special Trustee would initiate the trust system and records clean up efforts outlined above with funds appropriated to the Special Trustee in

FY 1997 and FY 1998. Similarly, the BIA trust systems, records management, and data/probate clean up initiatives will be funded with FY 1997 and FY 1998 funds appropriated for those purposes. In addition, a consolidated budget will be developed and coordinated and under the oversight of the Special Trustee, who will review and certify plans and bureau budgets in accordance with the American Indian Trust Funds Management Reform Act of 1994. Budgetary requirements relating to this effort in the FYs 1999 and 2000 time frames will be coordinated and addressed to the Congress by the Department, the OST and the BIA.

Oversight monitoring and accountability will be provided internally through the Secretary's Trust Management Improvements Steering Committee, the Special Trustee for American Indians, and the Trust Improvement Management Team (TIMT), and externally from the OMB, the GAO and cognizant Congressional committees.

This *High Level Implementation Plan* for the TMIP provides information on and describes each of the 13 Sub projects, responsible Bureaus and Offices, supporting tasks, critical milestones, work plans, resource estimates and accountable officials.

Each of the 13 Sub projects may be modified during the process of their implementation to reflect changed and/or unanticipated circumstances, including, for example, the availability of funding and personnel.

The Trust Management Improvement Project budget and cost estimates for FYs 1997, 1998, 1999, and 2000 are detailed throughout this document. A summary of Trust Management Improvement Project budget requirements--\$147.4 million over the four fiscal years--is depicted below.

Figure 2: Number of Responses by Participant Role and Organization  
(n = 252) (Note: Some interviews had multiple participants.)

Participant Role/Job	OST HQ	OST AR	OST AG	BIA AR	BIA AG	Tribe	Total
OST Trust Accounting	11	15	32				58
Area Directors				2			2
Agency Superintendents					21		21
Administrative Offrs.				1	9		10
Realty (incl. Leasing)				7	41		48
LTR/O				3			3
Resource/asset mgmt.				3	15		18
BIA Trust Accounting				1	9		10
Social Services				2	3		5
Tribal Services/Operations					8		8
Other	3			1	4		8
Tribal Officials						61	61
Total	14	15	32	20	110	61	252

These estimates include funds appropriated to date of approximately \$25.7 million in FYs 1997 and 1998.

#### Year 2000 Compliant Systems.

Pursuant to Acquisition Regulations, the trust system improvements and replacements will be Year 2000 compliant and certified as such. Year 2000 compliant means information

technology that accurately processes date/time (including, but not limited to, calculating, comparing, and sequencing) from, into, and between the twentieth and twenty-first centuries, the year 1999 and 2000, and leap year calculations. Furthermore, Year 2000 compliant information technology, when used in combination with other information technology, shall accurately process date/time data if the other information technology properly exchanges date/time data with it. All hardware, software, or firmware in any products acquired under the Trust Management Improvement Project (TMIP) shall either be Year 2000 compliant as delivered or, if non-compliant at this time, be upgraded to be Year 2000 compliant, at no cost to the government, by March, 1999.

Furthermore, existing DOI trust and land management application systems ( i.e., OMNITrust, IRMS, LRIS, royalty management, etc.) are being upgraded to be Year 2000 Compliant, as are the supporting hardware and infrastructure systems in use today and after Year 2000.

**"Data Clean Up" Defined.** The Data Clean Up Sub projects within OST and BIA are aimed at ensuring data housed in existing or new systems are accurate and

timely, and at eliminating transaction processing backlogs to ensure records are up-to-date, particularly land ownership information and records. Therefore, references to "data clean up" in this Report should be viewed broadly, as including both data purification (correction), and data updates (data and information transaction processing).

**Automated Land Management Records System (ALMRS).** Reviews of ALMRS were performed by the Office of the Special Trustee, BIA's Office of Trust Responsibility, and an outside contractor. Based on those reviews, it is clear that ALMRS is not a replacement for LRIS but, in fact, a complementary system and an effective source of official legal descriptions of the Indian properties and related data. ALMRS provides no ownership information and therefore cannot be used as a replacement for LRIS or TAAMS.